

Message Text

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C O N F I D E N T I A L MILAN 2721

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E.O. 11652: GDS
TAGS: ECON, EFIN, PGOV, IT
SUBJECT: ECONOMIC VIEWS OF ITALIAN CABINET.

1. MILAN BASED HEAD OF CHASE MANHATTAN BANK IN ITALY,
SERGIO DE CHIARA, DESCRIBED FOR US DECEMBER 17 ROME
MEETINGS OF WEEK EARLIER BETWEEN DAVID ROCKEFELLER
AND ALMOST ALL MEMBERS AT ITALIAN CABINET, AT WHICH HE
WAS PRESENT.

2. DE CHIARA SAID HE WAS SURPRISED TO LEARN THAT
MINISTERS ALL RECOGNIZE INSUFFICIENCY IN ECONOMIC TERMS
OF AUSTERITY MEASURES THUS FAR PRESENTED. THEY
ACKNOWLEDGE, FOR EXAMPLE, THAT TRANSFERRING MONEY SAVED FROM
WAGE FREEZES INTO BONDS RATHER THAN ALLOWING FIRMS TO
KEEP AND REINVEST IT IS MISTAKE. THEY ALSO FEEL THAT MORE
STRINGENT MEASURES TO BALANCE BUDGET AND REDUCE DOMESTIC
CONSUMPTION ARE NECESSARY. THERE IS DIVERGENCE OF VIEWS BETWEEN
POLITICIANS AND TECHNICANS, HOWEVER, ON WHAT TO DO ABOUT THIS.
POLITICIANS STRESSED IMPOSSIBILITY OF PUSHING PCI ANY FURTHER.
THEY SAID COMMUNISTS, TOO, KNOW THAT AUSTERITY MEASURES ARE
NOT ENOUGH BUT CANNOT THEMSELVES AFFORD TO GO ANY FARTHER,
ESPECIALLY IN ABSENCE OF SOME SIGNIFICANT QUID PRO QUO FROM
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PAGE 02 MILAN 02721 201254Z

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3. "TECHNICIANS", ON OTHER HAND, ARE SAYING TIME WILL
NEVER BE RIPER TO GET COMMUNISTS TO ACCEPT HARSH ECONOMIC
LEGISLATION, THAT MEASURES ARE ESSENTIAL AND THAT GOVERNMENT
MUST MOVE AHEAD. NOT TO TAKE ADVANTAGE OF PRESENT PCI DILEMMA,
THEY FEEL, WOULD BE MISTAKE. TECHNICIANS, IN FACT, PREDICTING

CONFINDUSTRIA-UNION TALKS WOULD BE LARGELY FAILURE, HAD PREPARED
KIND OF TOUGH LEGISLATION THAT THEY WOULD LIKE TO SEE ENACTED
SO IT WOULD BE READY TO SUBMIT WHEN TALKS WERE
FINISHED. THESE MINISTERS WANT TO GIVE THAT LEGISLATION A
TRY AS SOON AS FUTILITY OF LABOR-MANAGEMENT TALKS IS DEMONS-
TRATED.

4. AS FOR ECONOMY'S GROWTH PROSPECTS OVER NEXT YEAR UNDER
WEIGHT OF DEFLATIONARY ECONOMIC POLICY, DE CHIARA SAID
MINISTER ALL FELT GROWTH WOULD BE PRACTICALLY NON-EXISTENT.
DE CHIARA ADDED THAT HIS BANK'S OWN PROGNOSIS IS FOR GROWTH
AT ZERO OR SLIGHTLY ABOVE, WITH SIGNIFICANT RISE IN UNEMPLOY-
MENT. FINA

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